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¶1. (SBU) SUMMARY AND COMMENT: Econoffs met with diplomats from other Guangzhou-based consulates to discuss a wide-range of South China economic issues. The meeting was the fourth meeting of the ongoing inter-consulate discussion group, which at best is held periodically; the last meeting was held in May 2005. The dinner attracted nine diplomats -- several of whom attended for the first time -- and the topics covered ranged from upcoming high-level visits to intellectual property violations, to dealing with local foreign affairs officials. The meetings continue to be a valuable way to informally exchange information and share insights into the business environment in South China. The respectable turnout, on a rainy night just after the long May First holiday, indicates that the entire consular community finds the meetings useful as well. END SUMMARY AND COMMENT.

¶2. (SBU) Econoffs joined our Australian host Christopher Green, Vice Consul, Australian Consulate at a roundtable dinner, along with:

Matthew Moody, Consul, Political and Economic Affairs,
British Consulate;

Giovanni Russo, Economic, Financial, and Commercial Attaché,
Italian Consulate;

Dr. Robert Weber, Deputy Consul General, German Consulate;
and

Mona Ip, Consul and Senior Trade Commissioner, Canadian
Consulate.

Several other invited guests were unable to attend due to scheduling conflicts.

Australians Busy Preparing for a High-Level Visitor

¶ 13. (SBU) Green began the meeting by noting that his consulate was very busy of late preparing for an upcoming visit by Australian Prime Minister John Howard to Shenzhen. While Green did not elaborate or comment on the agenda for Howard's visit, he did note that Australia and China continue to negotiate the details of a free trade agreement (FTA). (Note: The Australia-China FTA negotiations were a major theme of the visit to Australia 1-4 April 2006 by Premier Wen Jiabao, Chairman Ma Kaito, and Minister Bo Xilai, according to the Australian Department of Foreign Affairs and Trade webpage. The next FTA negotiating round between Australia and China -- the fifth such round -- is scheduled to take place in Beijing from 22-25 May, according to the same website. End Note.)

Reviewing the Recent High-Level Visit to the U.S.

¶ 14. (SBU) On the topic of high-level visits, Green turned the discussion to the recent visit to the United States by President Hu Jintao. Green commented that he had heard rumors that the Chinese Ambassador to Washington was going to be recalled and the Chinese Foreign Minister being replaced because of various incidents that occurred during the visit -- which the Chinese viewed as mistakes affecting Hu's prestige. Several members of the group commented that

GUANGZHOU 00014660 002 OF 003

they had heard similar rumors, but no one could provide any new information beyond that statement. The group noted that while these rumors were circulating worldwide, they were not been reported in the Chinese press, and they speculated that this was because the Chinese government did not want the Chinese general public to view Hu's trip to the U.S. as anything but a complete success.

What Color is Your "Berry"? IP Problems Persist for All

¶ 15. (SBU) The group also discussed the topic that inevitably comes up in such meetings -- problems with intellectual property (IP) violations. Ip noted that she has been spending a lot of time working on a problem involving the popular "Blackberry" wireless handheld device. (Note: Canadian company Research In Motion Limited, founded in 1984 and based in Waterloo, counts the Blackberry among its product line. End Note.) Ip explained that the Blackberry is being copied and sold in China as the "Redberry" an obvious infringement of the Blackberry, in her opinion. Ip noted her frustration that, in her experience, people violating products the Chinese are concerned about -- such as the official Beijing Olympic mascots -- are quickly clamped down on, while people copying products such as the Blackberry, which the Chinese government does not have an interest in, are often basically left alone.

¶ 16. (SBU) Weber noted that the Germans have begun to focus some of their IP efforts on educating Chinese companies about the damage IP violations do to their own bottom line. Econoff mentioned that we have been employing this strategy, among others, as well, including during an IP conference last fall during which several major Chinese companies participated and shared their own IP violation experiences.

¶ 17. (SBU) Russo mentioned China's promise to sell only computers with legal software already pre-installed, to prevent the pirating of software. He commented that, while this is a very positive step forward, in his experience this meant that a foreigner buying a computer in China would have

problems using the software because it is all in Chinese. Because the consumer theoretically cannot pick out his or her own software to install anymore, this could be a problem for the small amount of English-speaking customers for these products.

Dealing With the Foreign Affairs Office

¶ 8. (SBU) The group also discussed the difficulties we all encounter at times because of the requirement that we work through the Guangdong Foreign Affairs Office (FAO), an office that is often less than cooperative, to schedule our activities in South China. Moody shared with the group that he had recently attended a lunch with the FAO during which officials from the British consulate reviewed a laundry list of problems they had experienced in dealing with the FAO. Moody said that in return, the FAO had shared its own list of complaints about dealing with the British Consulate. While Moody did not elaborate on what exactly was said at the meeting, he noted that after airing all their respective grievances and gaining a better perspective on where the other side stands, cooperation between the FAO and the British Consulate has improved greatly. (Note: Before the May holiday, we requested an informal "get to know you" lunch with our FAO counterparts, but because of the upcoming holiday and resulting scheduling conflicts, they were unable to attend. We hope to reschedule the lunch in the near future. End note.)

Koala Diplomacy?

GUANGZHOU 00014660 003 OF 003

¶ 9. (SBU) Green also mentioned that Australia had sent six koalas from Australia to Guangzhou last month and that his consulate had been involved in some of the events surrounding the opening of a koala exhibit at the Wild Animal Zoo in Guangzhou. Green commented that unlike the Chinese practice of "renting" out its pandas, Australia will not be charging China for use of the koalas, but his country will retain ownership of the animals and any offspring they may produce. Guangzhou's Xiangjiang Wild Animal Zoo is reportedly currently building a koala exhibit, which will cost more than 10 million RMB (roughly USD 1.25 million) and it will plant 400 hectares (roughly 990 acres) of eucalyptus trees to provide food for the animals, according to Hong Kong press reports.

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